



STRAITS RESOURCES LIMITED

(ABN 30 147 131 977)

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT

The Annual General Meeting of Shareholders of Straits Resources Limited will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia at 11:00am (WST) on Thursday 17 November 2011.

This Notice of Annual General Meeting and Explanatory Statement should be read in its entirety.

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Notice of Annual General Meeting

The Annual General Meeting of Shareholders of Straits Resources Limited (**Company**) will be held at the Celtic Club, 48 Ord Street, West Perth on Thursday, 17 November 2011 commencing at 11:00am (WST) to consider the following resolutions.

ORDINARY BUSINESS

Item 1: Financial statements and reports

To receive and consider the annual financial report and the reports of the Directors and auditors for the financial year ending 30 June 2011.

Item 2: Election of Director – Dr Elizabeth Susan Vearncombe

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

That, in accordance with Rule 28.3 of the Constitution, Dr Elizabeth Susan Vearncombe, being a Director appointed as an addition to the Board and who offers herself for election, be elected as a Director.

Item 3: Re-election of Director – Mr William Edward Alastair Morrison

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

That, in accordance with Rule 28.6(a) of the Constitution, Mr William Edward Alastair Morrison, a Director retiring by rotation who offers himself for re-election, be re-elected as a Director.

Item 4: Approval of Remuneration Report

To consider and, if thought fit, pass the following resolution as an **advisory only resolution**:

That, for all purposes, Shareholders approve the Remuneration Report for the financial year ending 30 June 2011.

Under section 250R(3) of the Corporations Act, the vote on this resolution is advisory only and does not bind the Directors or the Company.

SPECIAL BUSINESS

Item 5: Amendment of Constitution

To consider and, if thought fit, pass the following resolution as a **special resolution**:

That the Constitution be amended as follows:

- (a) the rule numbered 39.14 set out in the schedule is inserted as a new rule 39.14; and*
- (b) as a result of the resolution above:*
 - (i) rule 39.8 is replaced by the new rule numbered 39.8 set out in the schedule; and*
 - (ii) rule 39.12(c) is deleted.*

By Order of the Board of Directors



Mark Hands
Company Secretary
10 October 2011

NOTES

Explanatory Statement

The accompanying Explanatory Statement forms part of this Notice of Annual General Meeting and should be read in conjunction with it.

The Glossary in the Explanatory Statement contains definitions of capitalised terms used in this Notice of Annual General Meeting and the Explanatory Statement.

Eligibility to vote

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Board has determined that a person's entitlement to attend and vote at the Annual General Meeting will be the entitlement of that person set out in the register of Shareholders as at 7.00pm Sydney time (4:00pm WST) on 15 November 2011. Accordingly, transactions registered after that time will be disregarded in determining a Shareholder's entitlement to attend and vote at the Annual General Meeting.

Voting exclusion statement – item 4

In accordance with the Corporations Act, a vote on the resolution in item 4 (Approval of Remuneration Report) must not be cast (in any capacity) by or on behalf of the following persons:

- (a) a member of key management personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a closely related party of such a member.

However, a person described in paragraphs (a) or (b) above may cast a vote on item 4 if the person:

- (c) does so as a proxy appointed by writing that specifies how the proxy is to vote on that item; and
- (d) the vote is not cast on behalf of a person described in paragraphs (a) and (b) above.

Key management personnel are the Directors and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's key management personnel for the financial year ended 30 June 2011. Their closely related parties are defined in the Corporations Act and include certain of their family members, dependants and companies they control.

For these reasons, Shareholders who intend to vote by proxy should carefully consider the identity of their proxy and are encouraged to direct their proxy as to how to vote on item 4.

If you do appoint the Chairman as your proxy, then you may direct the Chairman to vote for or against, or to abstain from voting on, the resolution in item 4 (Approval of Remuneration Report) by marking the appropriate box opposite item 4 in the proxy form. However, if the Chairman is appointed as your proxy but is not directed by you how to vote in respect of the resolution in item 4, then (as stated on the proxy form) you will be expressly authorising and directing the Chairman to vote in favour of the resolution in item 4. This express authorisation acknowledges that the Chairman may vote your proxy even the Chairman has an interest in the outcome of item 4 and that votes cast by the Chairman in respect of Shares held by the Chairman or closely related parties of the Chairman will be disregarded because of that interest.

Proxies

Please note that:

- a Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- a proxy need not be a Shareholder;
- a Shareholder may appoint a body corporate or an individual as its proxy;
- a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy;

- a proxy has the same rights as the Shareholder to speak, vote on a show of hands and vote on a poll except where a Shareholder has appointed two proxies, in which case, neither proxy may vote on a show of hands; and
- a Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise but where the proportion is not specified, each proxy may exercise half the votes.

The enclosed proxy form and the notes below provide further details on appointing proxies and lodging proxy forms.

Voting in person

To vote in person, attend the Annual General Meeting on the date and at the place set out on the front page of the Notice of Meeting.

Voting by proxy

To vote by proxy, please complete and lodge the proxy form by one of the following methods:

- online, by visiting www.investorvote.com.au;
- mailing the completed enclosed proxy form to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria, 3001 Australia;
- faxing the completed enclosed proxy form to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- for Intermediary Online Subscribers only (custodians), by visiting www.intermediaryonline.com to submit your voting intentions,

so that your proxy form is received not later than 11:00am (WST) on 15 November 2011. **Proxy forms received after this time will be invalid.**

If proxy holders vote on a poll, they must cast all directed proxies as directed. Any directed proxies (ie you have directed your proxy to vote in a particular way by ticking a box on your proxy form in relation to an item of business) which are not voted on a poll will automatically default to the Chairman of the Meeting, who must vote the proxies as directed.

Corporate Representatives

Any corporate holder of the Company's Shares who has appointed a person to act as its corporate representative at the meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the meeting or handed in at the meeting when registering as a corporate representative. An "Appointment of Corporate Representative" form is available from the Company's share registry Computershare Investor Services Pty Limited (see above for contact details), if required.

Voting by attorney

A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint an attorney to attend and vote at the meeting on the shareholder's behalf. An attorney need not be a Shareholder of Straits.

The instrument appointing the power of attorney must be duly executed and must specify the name of each of the Shareholder, the Company and the attorney, and also specify the meeting(s) at which the appointment may be used. The appointment may be a standing one to apply for all future meetings. To be effective, the power of attorney must be lodged in the same manner, and by the same time, as outlined above for mailing completed proxy forms.

Explanatory Statement

1 Introduction

This Explanatory Statement has been prepared for the information of Shareholders in connection with business to be conducted at the Company's Annual General Meeting to be held on 17 November 2011 commencing at 11:00am (WST).

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the resolutions in the accompanying Notice of Annual General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of Annual General Meeting. Capitalised terms in the Notice of Annual General Meeting and Explanatory Statement are defined in the Glossary.

All shareholder questions relating to the Annual General Meeting must be received in writing by the Company by 5.00pm (WST) on Thursday, 10 November 2011, being the fifth business day before the meeting to be held on Thursday 17 November 2010 (unless the meeting is adjourned or postponed).

2 Ordinary Business

Item 1: Financial statements and reports

The first item of business of the Annual General Meeting is to receive and consider the annual financial report, together with the Directors' and auditor's reports, for the financial year ended 30 June 2011.

No resolution is required for this item of business. However, as a Shareholder, you may submit a written question for the auditor prior to the Annual General Meeting provided that the question relates to:

- the preparation and content of the auditor's report;
- the conduct of the audit in relation to the annual financial report;
- the accounting policies adopted by the Company in relation to the preparation of the financial statements; or
- the independence of the auditor in relation to the conduct of the audit.

All questions relating to the audit of the Company's financial statements must be sent to the Company (see above) and may not be sent directly to the auditor. The Company will then forward all questions to the auditor.

The auditor will be attending the Annual General Meeting and will answer written questions relating to the above matters which have been submitted to the Company prior to the meeting.

Item 2: Election of Director – Dr Elizabeth Susan Vearncombe

The ASX Listing Rules and Rule 28.3 of the Constitution requires that if a person is appointed as a Director by the Board, Shareholders must confirm the appointment at the next annual general meeting.

Dr Elizabeth Susan Vearncombe was appointed by the Board as an independent, non-executive Director on 23 May 2011. In accordance with Rule 28.3 of the Constitution, Dr Vearncombe retires as a Director and offers herself for election.

Dr Vearncombe is a highly experienced geologist in the mining and exploration industry and is currently Managing Director of Silver Swan Group Limited. Dr Vearncombe has worked internationally on a wide range of commodity styles, has developed key spatial analysis technology and has had her work published in international scientific journals in the areas of geochemistry, structural geology and mineralisation. Dr Vearncombe holds a Bachelor of Social Science and a Master of Science (Hons) from the University of Waikato, New Zealand and a doctorate in Economic Geology from the University of Western Australia.

Dr Vearncombe is Chair of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee.

Recommendation

The Board (excluding Dr Vearncombe) recommends that Shareholders vote in favour of the resolution in item 2.

The Chairman of the Meeting intends to vote undirected proxies in favour of the resolution in item 2.

Item 3: Re-election of Director – Mr William Edward Alastair Morrison

In accordance with the ASX Listing Rules and Rule 28.6(a) of the Constitution, one third of the Directors for the time being (other than Directors seeking election at the meeting for the first time, or the Managing Director or Chief Executive Officer) must retire from office each year and are eligible for re-election. The Director/s to retire are those who have been the longest in office since their last election. In the case of equality in this respect, the Directors can agree among themselves who shall retire and in the absence of an agreement, the Chairman will determine the Director/s to retire.

On this basis, Mr William Edward Alastair Morrison retires as a non-executive Director and offers himself for re-election.

Mr Morrison is a founding Managing Director of Standard Chartered Private Equity. He joined Standard Chartered in April 2002, after 20 years at 3i Group, a leading European private equity house, where he was Director for 3i Asia Pacific. He co-founded 3i's Asia-Pacific operations in 1997, having previously run an investment team in London focusing on buy-outs and expansion financing. Mr Morrison has investment experience across a wide range of industries in Europe and Asia. He holds an M.A. degree in Politics, Philosophy and Economics and M.Phil degree in Management Studies from Oxford University.

As a nominee of Standard Chartered Private Equity, the Company's largest Shareholder holding approximately 18.82% of Shares on issue (as at the date of preparing this notice), Mr Morrison is not considered by the Board to be independent. However, as a nominee of Standard Chartered Private Equity, Mr Morrison is not paid a Director's fee.

Mr Morrison is a member of the Audit Committee and the Remuneration Committee.

Recommendation

The Board (excluding Mr Morrison) recommends that Shareholders vote in favour of the resolution in item 3.

The Chairman of the Meeting intends to vote undirected proxies in favour of the resolution in item 3.

Item 4: Approval of Remuneration Report

Section 298 of the Corporations Act requires that the annual Directors' Report contain a Remuneration Report prepared in accordance with section 300A of the Corporations Act.

By way of summary, the Remuneration Report:

- discusses the Company's policy and the process for determining remuneration of its executive officers and employees;
- addresses the relationship between the remuneration of the Company's executive officers and the performance of the Company; and
- sets out remuneration details for each Director and each of the executive officers of the Company named in the Remuneration Report for the financial year ended 30 June 2011.

In accordance with section 250R(2) of the Corporations Act, the Company is required to put a resolution to its Shareholders that the Remuneration Report as disclosed in the 2011 Annual Report be adopted. Under section 250R(3) of the Corporations Act, item 4 is advisory only and does not bind the Directors or the Company. In accordance with the voting exclusion statement contained in the notes above, each Director (or any closely related party of a Director) is excluded from voting their shares on this resolution.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

The Remuneration Report is included in the 2011 Annual Report (contained within the Directors' Report).

Recent changes to the Corporations Act provide that if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive Annual General Meetings, Shareholders will be required to vote at the second of those Annual General Meetings on a resolution (a **spill resolution**) that another meeting be held within 90 days at which all of the Directors (other than the Managing Director or Chief Executive Officer) who were in office at the date of the approval of the applicable Directors' Report must stand for re-election. As this is the first Annual General Meeting of the Company since its incorporation and listing on ASX (following implementation of the demerger in February 2011), it will not be necessary to put a spill resolution to Shareholders at this year's Annual General Meeting, regardless of the voting result on item 4.

The voting exclusion statement contained in the notes above and the proxy form contain important information about appointing the Chairman of the Meeting as your proxy for the resolution in item 4. If you wish to appoint the Chairman as your proxy, you should read this information first. On a poll, the Chairman intends to vote all eligible undirected proxies in favour of the resolution in item 4.

3 Special Business

Item 5: Amendment of Constitution

The Company is taking the opportunity of the Annual General Meeting to seek Shareholder approval to amend the Constitution.

The proposed addition of a new rule 39.14 in the Constitution will allow the Board to maintain maximum flexibility when considering any future capital transactions.

By way of example, International Coal Holdings Limited (**ICHL**), the Company's former parent which was previously named Straits Resources Limited, had a history of evaluating and undertaking capital transactions aimed at providing value to its shareholders. For instance:

- in February 2011, the demerger of ICHL's coal business and metals business resulted in ICHL's shareholders being provided with new Shares. In addition, the subsequent acquisition scheme provided ICHL's shareholders with \$1.72 cash per share in return for their shares in ICHL; and
- in September 2008, ICHL proposed an in-specie distribution of shares in the Singapore-listed Straits Asia Resources Limited to its shareholders. However, the in specie distribution did not proceed due to prevailing market conditions at the time.

Like its predecessor ICHL, the Board wishes to have the flexibility to pursue capital transactions where it believes such transactions would create value for Shareholders, or otherwise be in the interests of shareholders. The new rule 39.14, which is set out in full in the schedule, will provide the Board with flexibility to conduct an in specie distribution of shares or other assets owned by the Company (including a distribution by way of dividend of a security in another body corporate or trust). Although the Board has no current intention to do so, the change to the Constitution will provide it with the ability to do so should it wish to in the future.

As a result of inserting the new rule 39.14 of the Constitution, the last paragraph of rule 39.8 is no longer required and it is proposed that rule 39.8 be replaced with a simplified rule (from which the last paragraph has been deleted). Similarly, it is proposed that the last paragraph of rule 39.12 of the Constitution be deleted, as that paragraph is also covered by the new rule 39.14. A copy of the Constitution with the proposed amendments marked up is available from the Company's website, www.straits.com.au, or by contacting the Company Secretary on +61 8 9480 0500.

Recommendation

The Board recommends that Shareholders vote in favour of the resolution in item 5.

The Chairman of the Meeting intends to vote undirected proxies in favour of the resolution in item 5.

Glossary

In this Explanatory Statement, the following terms have the following meanings unless the context otherwise requires:

ASX	means ASX Limited or the securities exchange it operates, as the context requires.
ASX Listing Rules	means Listing Rules of ASX, as amended, replaced or waived by ASX from time to time.
Board	means the board of Directors.
Company or Straits	means Straits Resources Limited (ABN 30 147 131 977).
Constitution	means the Company's constitution.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth) and all regulations made pursuant to such legislation, as amended from time to time.
Director	means a director of the Company.
Directors' Report	means the report of the Directors set out in the Company's Annual Report for the year ending 30 June 2011.
ICHL	means International Coal Holdings Limited (ABN 22 056 601 417).
Remuneration Report	means the remuneration report set out in the Directors' Report.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a person who holds Shares.
spill resolution	has the meaning given to that term in the explanation of item 4 in the Explanatory Statement.
WST	means Western Standard Time.

Schedule – new rules 39.8 and 39.14 of the Constitution

39.8 Transfer of Assets

The Board may:

- (a) direct payment of a dividend wholly or partly by the distribution of specific assets (including fully paid Securities and fully paid debentures or any other security of any body corporate or trust) to some or all of the Members; and
- (b) determine in respect of the payment of any dividend to allow Members to elect to receive the amount of the dividend to which that Member is entitled in fully paid Securities instead of in cash.

39.14 Additional powers

- (a) To give effect to the distribution of an asset to Members by way of dividend pursuant to rule 39.8, or to capitalise any amount under rule 39.12, or to give effect to any resolution to reduce the capital of the Company, the Board may do all things that it considers appropriate, including:
 - (i) disregarding any fractional entitlement to any Security;
 - (ii) making a cash payment in respect of any fractional entitlement;
 - (iii) fixing the value for distribution of any specific asset or any part of any such asset;
 - (iv) making a cash payment to any Member to adjust the value of distributions made to Members; or
 - (v) authorising any person, on behalf of Members entitled to receive any specific assets, cash, Securities or other securities (as a result of the distribution or capitalisation) to enter into an agreement with the Company or any other person which provides, as appropriate, for the distribution or issue to those Members of Securities or other securities or assets credited as fully paid up, or for payment by the Company on their behalf of the amounts (or any part thereof) remaining unpaid on their existing Securities, by applying their respective proportions of the amount resolved to be distributed or capitalised.
- (b) Any agreement made under an authority referred to in **rule 39.14(a)(v)** is effective and binds all Members affected.
- (c) If a distribution, transfer or issue of a specific asset, Securities or securities of any body corporate or trust to a particular Member or Members is in the Board's discretion considered impracticable or contrary to any law of Australia or anywhere else in the world or would give rise to parcels of securities which do not constitute a marketable parcel, the Board may make a cash payment to those Members or allocate the assets, Securities or other securities to a trustee to be sold on behalf of, and for the benefit of, those Members, instead of making the distribution, transfer or issue to those Members.
- (d) If the Company distributes Securities or securities of another body corporate or trust (whether as a dividend or otherwise and whether or not for value) to Members (either generally or to specific Members), each of those Members appoints the Company as their agent to do anything needed to give effect to that distribution, including:
 - (i) agreeing to the Member becoming a Member of that body corporate;
 - (ii) agreeing to the Member being bound by the constitution of that body corporate; and
 - (iii) executing any transfer or other document required to give effect to the distribution of Securities or other securities to that Member.

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